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December 20, 2004
TN REGULATORY AUTHORITY
DOCKET ROOM

Ms. Sharla Dillon
Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

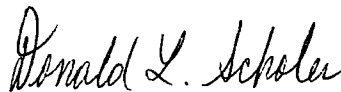
Via Hand Delivery

Re: Petition of Lynwood Utility Corporation for Approval of Transfer and Control
Nunc Pro Tunc
Docket No. 04-00360

Dear Sharla:

I have enclosed for filing an original and thirteen copies of the Supplementary Response of Lynwood Utility Corporation to the Staff's Data Request No. 1 in this docket. I have enclosed an extra copy which I would appreciate your returning to me stamped filed. Thank you for your assistance in this matter.

Sincerely yours,



DONALD L. SCHOLES

Enclosure
c Tyler Ring

BKSJ File No 04-477

c: Jim Ford

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

04 DEC 20 PM 3 12

In re: PETITION OF LYNWOOD UTILITY)
CORPORATION FOR APPROVAL)
OF TRANSFER AND CONTROL)
NUNC PRO TUNC)

TN REGULATORY AUTHORITY
DOCKET NO. 04-00360

PETITIONER'S SUPPLEMENTAL RESPONSE TO DATA REQUEST NO. 1

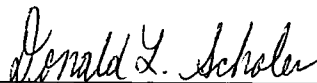
Comes now Lynwood Utility Corporation (Lynwood) and files this Supplemental Response to Staff Data Request No. 1 in this matter.

2. In Lynwood's petition, it states that the new shareholders have invested \$980,000.00 in plant improvements in order to meet NPDES standards as a result of a suit brought by the Tennessee Department of Environment and Conservation. How was the investment recorded on the balance sheet of Lynwood? If it was recorded as a liability, please list terms, interest rates, and provide a copy of the loan agreement

Response: A copy of the loan agreement, interest rate and terms of the loan is attached. The loan agreement is between Lynwood and Tennessee Contractors, Inc. which is a corporation whose sole shareholders are Tyler Ring and John Ring, the sole shareholders of Southern Utility Corporation which is the sole shareholder of Lynwood.

Dated this 20th day of December, 2004.

Respectfully submitted,



DONALD L. SCHOLES BPR# 10102
Branstetter, Kilgore, Stranch & Jennings
227 Second Avenue, North, Fourth Floor
Nashville, TN 37201-1631
(615) 254-8801
Attorney for Lynwood Utility Corporation

PROMISSORY NOTE
(Line of Credit)

\$1,250,000 00

Franklin, Tennessee
July 1, 2004

FOR VALUE RECEIVED, the undersigned, **LYNNWOOD UTILITY CORPORATION**, a Tennessee corporation, ("**Borrower**"), promises to pay to **TENN. CONTRACTORS, INC.**, a Tennessee corporation, ("**Lender**"), having an address at P O Box 314, Franklin, TN 37065-0314, the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000.00) Dollars, together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified, said interest being payable on the first day of each consecutive month hereafter, commencing August 1, 2004, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due hereunder. The entire unpaid principal balance, plus accrued and unpaid interest, shall be due December 31, 2004; however, the Note shall be renewable, at Lender's discretion, for an additional six months upon the terms and conditions set out herein.

The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "**Index**"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of two (2) percentage points over the Index. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's office address shown above, or at such other place as Lender may designate in writing.

Upon default, including failure to pay under final maturity, Lender, at its option, may, if permitted under applicable law, increase the interest rate on this Note to 21 000% per annum. In no event will the effective total interest rate on this Note be greater than the rate permitted by applicable law.

Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

PRIOR TO SIGNING THIS NOTE, THE BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER: LYNNWOOD UTILITY CORPORATION

BY: _____

Tyler Ring, President

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